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BEFORE THE ARIZONA CORPORATION COMMISSION

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2016 FEB -4 P 2: 56

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
GRANITE MOUNTAIN WATER COMPANY,
INC. FOR APPROVAL OF A RATE INCREASE.

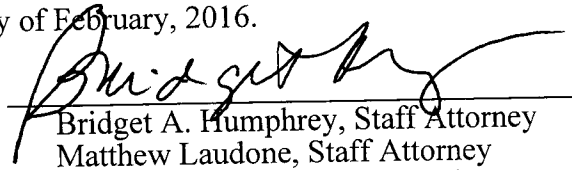
DOCKET NO. W-02467A-14-0230

**NOTICE OF FILING
STAFF'S RESPONSE TO GRANITE
MOUNTAIN WATER COMPANY, INC.'S
SUPPLEMENTAL DIRECT TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission") hereby files their Response to Granite Mountain Company, Inc.'s Supplemental Direct Testimony of Staff witness Teresa Hunsaker and Dorothy Hains, P.E., in the above-captioned matter.

RESPECTFULLY SUBMITTED this 4th day of February, 2016.

By


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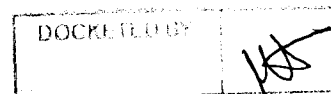
Original and thirteen (13) copies of the foregoing filed this 4th day of February, 2016, with:

Docket Control
Arizona Corporation Commission
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Phoenix, Arizona 85007

Arizona Corporation Commission

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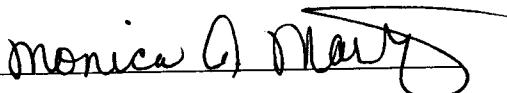
FEB 4 2016



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BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

TOM FORESE

Commissioner

ANDY TOBIN

Commissioner

IN THE MATTER OF THE APPLICATION OF)
GRANITE MOUNTAIN WATER CO. INC. FOR)
A RATE INCREASE.)
_____)

DOCKET NO W-02467A-14-0230

RESPONSIVE

TESTIMONY

OF

TERESA B. HUNSAKER

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

FEBRUARY 4, 2016

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EXECUTIVE SUMMARY
GRANITE MOUNTAIN WATER COMPANY INC.
DOCKET NO. W-02467A-14-0230

Staff's responsive testimony is being filed in accordance with the provisions of the Procedural Order dated December 18, 2015 for Granite Mountain Water Company Inc. ("Granite Mountain", "GM" or "Company"), and addresses the following issues:

1. Issues raised regarding the following Late Filed Exhibits, docketed by Granite Mountain on November 30, 2015:
 - a. A-3 – Receivables from affiliates
 - i. Part 1 – Accounting Report for Affiliated Receivables from December 31, 2013 to November 13, 2015.
 - ii. Part 2 – Customer Billing System Report showing payment history on four accounts of Daniel (Danny) Levie for the period January 1, 2013 to November 25, 2015.
 - b. A-4 – Water Infrastructure Finance Authority of Arizona ("WIFA") Loan Bank Account
 - i. Accounting Report and supporting documentation showing deposits and transactions for the WIFA Loan Bank Account required by Decision No. 74384.
2. The Company's request for the recognition in rate base of the Post-Test Year Plant associated with Storage Tank No. 3.

In direct testimony, Staff recommended a revenue increase resulting in a total operating revenue of \$185,719, a \$68,399 (58.30 percent) increase, to provide a \$34,625 operating income and an 8.03 percent rate of return on Staff's adjusted original cost rate base ("OCRB") \$431,139. OCRB and fair value rate base ("FVRB") are deemed to be the same. In Staff's surrebuttal testimony, Staff recommended a revenue increase resulting in a total operating revenue of \$169,647, a \$52,327 (44.60 percent) increase, to provide a \$34,287 operating income and an 8.03 percent rate of return on Staff's adjusted OCRB \$426,930.

In responsive testimony, Staff recommends a revenue increase resulting in a total operating revenue of \$179,504, a \$62,184 (53.00 percent) increase, to provide a \$51,340 operating income and an 8.03 percent rate of return on Staff's adjusted OCRB \$529,152 as shown on Final Schedule TBH GM-1. Again, OCRB and FVRB are deemed to be the same.

The Company and Staff's recommended revenue requirements and associated rate increase are summarized as follows:

	<u>Revenue Requirement</u>	<u>Revenue Change</u>	<u>% Change</u>
Company Application	\$181,668	\$64,221	55.48%
Staff Direct	\$185,719	\$68,399	58.30%
Company Rebuttal	\$177,270	\$59,950	51.10%
Staff Surrebuttal	\$169,647	\$52,327	44.60%
Company Supplemental	\$177,563	\$60,243	51.35%
Staff Responsive	\$179,504	\$62,184	53.00%

I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Teresa B. Hunsaker. I am a Public Utilities Analyst III working for the Arizona Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff"). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Teresa B. Hunsaker who filed direct and surrebuttal testimonies in this case?

A. Yes.

II. PURPOSE OF RESPONSIVE TESTIMONY

Q. What is the purpose of your responsive testimony in this proceeding?

A. The purpose of my responsive testimony in this proceeding is to testify on behalf of Staff regarding the changes Staff made to its direct and surrebuttal positions as a result of its review of the limited issues addressed in the supplemental direct testimony of Mr. Ray L. Jones, witness for Granite Mountain Water Company Inc. ("Granite Mountain", "GM" or "Company").

Q. What issues will you address?

A. I will address the issues listed below that are discussed in the supplemental direct testimony of the Company's witness Mr. Ray L. Jones.

1. Issues raised regarding the following Late Filed Exhibits, docketed by Granite Mountain on November 30, 2015:

a. A-3 – Receivables from affiliates

1 i. Part 1 – Accounting Report for Affiliated Receivables from December
2 31, 2013 to November 13, 2015.

3 ii. Part 2 – Customer Billing System reports showing payment history on
4 four accounts of Daniel (Danny) Levie for the period January 1, 2013
5 to November 25, 2015.

6
7 b. A-4 – Water Infrastructure Finance Authority of Arizona ("WIFA") Loan
8 Bank Account

9
10 i. Accounting Report and supporting documentation showing deposits
11 and transactions for the WIFA Loan Bank Account required by
12 Decision No. 74384.

13
14 2. The Company's request for the recognition in rate base of the Post-Test Year Plant
15 associated with Storage Tank No. 3.

16
17 **Q. Is Staff enclosing new schedules?**

18 A. Yes. Staff has made changes to responsive testimony schedules and has provided new final
19 schedules.

20
21 **Q. Did you attempt to address every issue raised by Granite Mountain in its**
22 **supplemental direct testimony?**

23 A. No. I limited my discussion to the specific issues as noted above. My silence on any
24 particular issue raised in the Company's supplemental direct testimony does not indicate that
25 I agree with the Company's stated supplemental direct position on the issue. Rather, where I
26 do not respond, I rely on my direct and surrebuttal testimonies.

1 **III. SUMMARY OF PROPOSED REVENUES**

2 **Q. Please summarize Staff's recommended revenue.**

3 A. Staff's recommended rates would produce total operating revenue of \$179,504, a \$62,184
4 (53.00 percent) increase, from Staff's adjusted test year revenue of \$117,320, to provide a
5 \$42,496 operating income and an 8.03 percent rate of return on Staff's adjusted original cost
6 rate base ("OCRB") of \$529,152 as shown on Final Schedule TBH GM-1. Staff's
7 recommended rates would increase the typical residential 5/8 x 3/4-inch meter bill with a
8 median usage of 3,684 gallons from \$41.21 to \$64.76, for an increase of \$23.55 or 57.15
9 percent as shown on Final Schedule TBH GM-27. OCRB and fair value rate base ("FVRB")
10 are deemed to be the same in Staff's Schedules.
11

12 **IV. LATE FILED EXHIBIT A-3 – RECEIVABLES FROM AFFILIATES**

13 **Q. Did Staff review the Company's Exhibit A-3 in the Company's filing of Late Filed**
14 **Exhibits docketed on November 30, 2015?**

15 A. Yes.
16

17 **Q. What was provided in the Company's Exhibit A-3?**

18 A. On November 30, 2015, Granite Mountain provided the following:
19

20 Part 1 – Accounting Report for Affiliated Receivables from December 31, 2013 to November
21 13, 2015 (current). All non-water company receivables are paid in full. The remaining
22 Receivable Balance of \$18,022.14 consists of \$9,239.68 for Chino Meadows II Water and
23 \$8,782.46 for Antelope Lakes Water Company.
24

1 Part 2 – Customer Billing System reports showing payment history on four accounts of
2 Daniel (Danny) Levie for the period January 1, 2013 to November 25, 2015 (current). All
3 four accounts are current and have a history of regular payments.

4
5 **Q. Does Exhibit A-3 Part 1, address Staff's concerns about the Company's notes and**
6 **account receivables from non-water associated/affiliated companies?**

7 A. Yes. The Company provided Exhibit A-3 Part 1, indicating the amounts due as of November
8 13, 2015. The remaining balances of the amounts due are: Chino Meadows – Other \$9,240,
9 Antelope Lakes \$8,782, GFL CMI Tract B Water Line \$0, PDL Trust \$0 and PDL Zooki on
10 behalf of Mr. Paul Levie's son, Mr. Daniel Levie \$0. The total remaining balance due from
11 affiliated water companies is \$18,022 as shown on Exhibit A-3 Part 1.

12
13 **Q. Does Exhibit A-3 Part 2, provides information as to the current status of the accounts**
14 **for individuals related to the owners of the Company?**

15 A. Yes. The Company-provided Exhibit A-3 Part 2, provides the billing and payment history for
16 four customer accounts held by Mr. Daniel (Danny) Levie as of November 25, 2015. The
17 accounts are: 80.001.02 – Granite Mountain Stables, 81.002.01 – Daniel P. Levie (2400 Shane
18 Drive), 80.012.00 – Daniel P. Levie (7280 N. Stable Lane) and 80.002.01 – Daniel P. Levie
19 (2480 Shane Drive). The report indicates that all four accounts are current and that the
20 accounts have a current history of regular payments made in accordance with the Company's
21 tariff requirements.

22
23 **V. LATE FILED EXHIBIT A-4 – WIFA LOAN BANK ACCOUNT**

24 **Q. Did Staff review the Company's Exhibit A-4 in the Company's filing of Exhibit A-4?**

25 A. Yes.
26

1 **Q. What was provided in the Company's Exhibit A-4?**

2 A. On November 30, 2015, Granite Mountain provided:

3
4 Accounting Report and supporting documentation showing deposits and transactions for the
5 WIFA Loan Bank Account required by Decision No. 74384.

6
7 **Q. Does Exhibit A-4 provide information as to the requirements of Decision No. 74384**
8 **for a separate bank account for the WIFA Loan payments?**

9 A. Yes. The Company-provided Exhibit A-4 provided the accounting records for the WIFA
10 Loan Account, payment history, and deposits to WIFA Loan Bank Account as required by
11 Decision No. 74384. The report indicates that the Company began making regular deposits
12 into the separate bank account on September 25, 2015, in accordance with Decision No.
13 74384.

14
15 **VI. RATE BASE**

16 **Q. What changes does Staff make to Rate Base in its responsive testimony?**

17 A. Staff made changes to the following adjustments:

- 18
19 1. Rate Base Adjustment No. 1 – Post-Test Year Plant
20 2. Rate Base Adjustment No. 8 – Cash Working Capital Allowance

21
22 *Rate Base Adjustment No. 1 – Post-Test Year Plant in Service*

23 **Q. Did Staff review Granite Mountain's supplemental direct testimony concerning post-**
24 **test year plant?**

25 A. Yes.

26

1 **Q. Did Staff review the additional documentation and support for the completed**
2 **construction of storage tank No. 3 and make changes to Rate Base Adjustment No. 1**
3 **– Post-Test Year Plant?**

4 A. Yes.

6 **Q. Please explain Staff's changes to Rate Base Adjustment No. 1 – Post-Test Year Plant**
7 **for the cost of the storage tank No. 3?**

8 A. Staff reviewed the additional documentation and support for the completed construction of
9 storage tank No. 3 in the amount of \$106,043. Staff reviewed the Company's proposed
10 adjustment for possible duplicate costs, which identified \$3,820 as duplicative. Staff adjusted
11 the amount of post-test year plant costs requested by the Company by \$3,820, resulting in a
12 total cost of \$102,223. Staff's Engineer considers storage tank No. 3 as used and useful
13 therefore any costs have been included in plant in service.

15 *Rate Base Adjustment No. 6 – Cash Working Capital Allowance*

16 **Q. Does Staff make any adjustments to its Cash Working Capital Allowance**
17 **recommendation?**

18 A. Yes. Staff's adjustment reflects Staff's calculation of the cash working capital based upon
19 Staff's adjusted test year operating expenses and recommendations.

21 *Summary of Rate Base Adjustments*

22 **Q. What is Staff's current rate base recommendation?**

23 A. Staff's direct testimony recommended a rate base of \$431,139, Staff's surrebuttal testimony
24 recommended a rate base of \$426,930, and Staff's responsive testimony recommends a rate
25 base adjustment of \$529,152, an increase of \$102,222 for the post-test year plant.

VII. OPERATING INCOME

Q. What changes does Staff make to Operating Income in its r testimony?

A. Staff made changes to the following adjustments:

1. Operating Income Adjustment No. 9 – Depreciation Expense
2. Operating Income Adjustment No. 10 – Property Tax Expense
3. Operating Income Adjustment No. 11 – Income Tax Expense

Effectively all three are fallout adjustments required as a result of the other adjustments Staff has already discussed.

Operating Income Adjustment No. 9 – Depreciation Expense

Q. Does Staff make an adjustment to Depreciation Expense due to the inclusion of the post-test year plant for storage tank No. 3?

A. Yes. Staff increased the plant in service for storage tanks by \$102,223. Staff has adjusted the depreciation expense from \$30,165 to \$32,434, an increase of \$2,269 as shown on Final Schedule TBH GM-21.

Operating Income Adjustment No. 10 – Property Tax Expense

Q. Does Staff make any adjustments to Property Tax Expense?

A. Yes. Staff recommends \$4,410 for test year property tax expense, a \$642 decrease to the Company's proposed amount, as shown on Final Schedule TBH GM-22. Staff further recommends adoption of its Gross Revenue Conversion Factor ("GRCF") that includes a factor for Property Tax Expense, as shown on Final Schedule TBH GM-2.

Operating Income Adjustment No. 11 – Income Tax Expense

Q. Does Staff make any adjustments to Income Tax Expense?

A. Yes. Staff applied the statutory state and federal income tax rates to Staff's revised test year taxable income. Income tax expenses for the test year and recommended revenues are shown on Final Schedule TBM GM-11.

VIII. STAFF'S RECOMMENDED WATER RATE DESIGN

Q. Please provide a description of Staff's recommended rate design.

A. Staff recommends increases in the minimum monthly charge for all meter sizes. Staff recommends that the monthly minimum for the 5/8 x 3/4-inch meter be \$37.50. Staff recommends break-over points at 3,000 and 8,000 gallons for the 5/8 x 3/4-inch meter. Staff recommends an increase to commodity rates in all three tiers. First commodity tier rate would increase by \$2.35 from \$4.40 per 1,000 gallons to \$6.75 per 1,000 gallons. Second commodity tier rate would increase by \$3.65 from \$6.60 per 1,000 gallons to \$10.25 per 1,000 gallons. Third commodity tier rate would increase by \$4.10 from \$7.90 per 1,000 gallons to \$12.00 per 1,000 gallons. The typical 5/8 x 3/4-inch meter bill with a median usage of 3,684 gallons would increase by \$23.55 from \$41.21 to \$64.76. Staff's recommended rates are shown on Final Schedule TBH GM-26 and the typical bill analysis for 5/8 x 3/4-inch meter customers is shown on Final Schedule TBH GM-27.

Q. Does this conclude your responsive testimony?

A. Yes, it does.

REVENUE REQUIREMENT

LINE NO.	DESCRIPTION		[A] COMPANY ORIGINAL COST	[B] STAFF FINAL COST
1	Adjusted Rate Base - OCRB and FVRB		\$564,606	\$529,152
2	Adjusted Operating Income (Loss)		(\$8,153)	(\$8,844)
3	Current Rate of Return (L2 / L1)		-1.44%	-1.67%
4	Required Rate of Return		8.031%	8.031%
5	Required Operating Income (L4 * L1)		\$45,346	\$42,496
6	Operating Income Deficiency (L5 - L2)		\$53,499	\$51,340
7	Gross Revenue Conversion Factor		1.200411	1.211224
8	Increase (Decrease) In Gross Revenue (L7 * L6)		\$64,221	\$62,184
9	Adjusted Test Year Revenue		\$117,447	\$117,320
10	Proposed Annual Revenue (L8 + L9)		\$181,668	\$179,504
11	Required Increase/(Decrease in Revenue) (%) (L8/L9)		54.68%	53.00%

References:

Column [A]: Company Schedules A-1 Supplemental Page 1, Company's Schedule Supplemental Attachment No. 2 Page 2

Column [B]: Staff Schedules TBH GM-2, TBH GM-3, & TBH GM-15

GROSS REVENUE CONVERSION FACTOR

Line No. Description (A) (B) (C) (D) (E) (F)

Calculation of Gross Revenue Conversion Factor:

1	Revenue	100.0000%
2	Uncollectible Factor (Line 11)	0.0000%
3	Revenues (L1 - L2)	100.0000%
4	Combined Federal and State Income Tax and Property Tax Rate (Line 23)	17.4389%
5	Subtotal (L3 - L4)	82.5611%
6	Revenue Conversion Factor (L1 / L5)	1.211224

Calculation of Uncollectible Factor:

7	Unity	100.0000%
8	Combined Federal and State Tax Rate (L17)	16.2860%
9	One Minus Combined Income Tax Rate (L7 - L8)	83.7140%
10	Uncollectible Rate	0.6573%
11	Uncollectible Factor (L9 * L10)	0.5503%

Calculation of Effective Tax Rate:

12	Operating Income Before Taxes (Arizona Taxable Income)	100.0000%
13	Arizona State Income Tax Rate	4.1282%
14	Federal Taxable Income (L12 - L13)	95.8718%
15	Applicable Federal Income Tax Rate (L55 Col F)	12.6813%
16	Effective Federal Income Tax Rate (L14 x L15)	12.1578%
17	Combined Federal and State Income Tax Rate (L13 + L16)	16.2860%

Calculation of Effective Property Tax Factor

18	Unity	100.0000%
19	Combined Federal and State Income Tax Rate (L17)	16.2860%
20	One Minus Combined Income Tax Rate (L18-L19)	83.7140%
21	Property Tax Factor	1.3772%
22	Effective Property Tax Factor (L20*L21)	1.1529%
23	Combined Federal and State Income Tax and Property Tax Rate (L17+L22)	17.4389%

24	Required Operating Income	\$ 42,496
25	Adjusted Test Year Operating Income (Loss)	\$ (8,844)
26	Required Increase in Operating Income (L24 - L25)	\$ 51,340

27	Income Taxes on Recommended Revenue (Col. (F), L52)	\$ 6,759
28	Income Taxes on Test Year Revenue (Col. (C), L52)	\$ (3,037)
29	Required Increase in Revenue to Provide for Income Taxes (L27 - L28)	\$ 9,796

30	Recommended Revenue Requirement	\$ 179,504
31	Uncollectible Rate (Line 10)	0.6573%
32	Uncollectible Expense on Recommended Revenue (L24 * L25)	\$ 1,180
33	Adjusted Test Year Uncollectible Expense	\$ -
34	Required Increase in Revenue to Provide for Uncollectible Exp.	\$ 1,180

35	Property Tax with Recommended Revenue	\$	5,266	\$	(47,103.15)	
36	Property Tax on Test Year Revenue	\$	4,410			
37	Increase in Property Tax Due to Increase in Revenue (L35-L36)			\$	856	\$ 68,776.00
38	Total Required Increase in Revenue (L26 + L29 + L37)			\$	63,172	\$ 21,672.85 \$ 41,499

	(A)	(B)	(C)	(D)	(E)	(F)
	Test Year			Staff Recommended		
	Total		Water	Total		Water
39	Revenue	\$ 117,320	\$ 117,320	\$ 179,504	\$ 179,504	
40	Operating Expenses Excluding Income Taxes	129,201	129,201	131,237	131,237	
41	Synchronized Interest (L47)	6,768	6,768	6,768	6,768	
42	Arizona Taxable Income (L39 - L40 - L41)	\$ (18,649)	\$ (18,649)	\$ 41,499	\$ 41,499	
43	Arizona State Effective Income Tax Rate (see work papers)	4.1282%	4.1282%	4.1282%	4.1282%	
44	Arizona Income Tax (L42 x L43)	\$ (770)	\$ (770)	\$ 1,713	\$ 1,713	
45	Federal Taxable Income (L42 - L44)	\$ (17,879)	\$ (17,879)	\$ 39,786	\$ 39,786	
46	Federal Tax Rate (see work papers)	12.6813%	12.6813%	12.6813%	12.6813%	
47	Federal Tax	\$ (2,267)	\$ (2,267)	\$ 5,045	\$ 5,045	
53	Total Federal Income Tax	\$ (2,267)	\$ (2,267)	\$ 5,045	\$ 5,045	
54	Combined Federal and State Income Tax (L35 + L42)	\$ (3,037)	\$ (3,037)	\$ 6,759	\$ 6,759	

55 COMBINED Applicable Federal Income Tax Rate [Col. (D), L53 - Col. (A), L53 / [Col. (D), L45 - Col. (A), L45]

12.6813%

57 WATER Applicable Federal Income Tax Rate [Col. (F), L53 - Col. (C), L53 / [Col. (F), L45 - Col. (C), L45]

12.6813%

Calculation of Interest Synchronization:

58	Rate Base	Wastewater	Water
59	Weighted Average Cost of Debt	\$ -	\$ 529,152
60	Synchronized Interest (L59 X L60)	0.0000%	1.2790%
		\$ -	\$ 6,768

RATE BASE - ORIGINAL COST

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	ADJ NO.	[C] STAFF AS ADJUSTED
1	Plant in Service	\$1,095,441	(\$22,490)	1, 2	\$1,072,951
2	Less: Accumulated Depreciation	532,491	5,552	5	538,043
3	Net Plant in Service	\$562,950	(\$28,041)		\$534,908
	<u>LESS:</u>				
4	Advances in Aid of Construction (AIAC)	\$8,256	(\$2,235)	4	\$6,022
5	Service Line and Meter Advances	\$0	\$0		\$0
6	Contributions in Aid of Construction (CIAC)	\$0	\$9,643	3	\$9,643
7	Less: Accumulated Amortization	0	309	3	309
8	Net CIAC	\$0	\$9,334		\$9,334
9	Total Advances and Contributions	\$8,256	\$7,099		\$15,355
10	Customer Deposits	\$750	\$0		\$750
11	Accumulated Deferred Income Taxes	\$0	\$0		\$0
	<u>ADD: Working Capital</u>				
12	Cash Working Capital Allowance	10,662	(313)	6	10,349
13	Total Rate Base	\$564,606	(\$35,453)		\$529,152

References:

Column [A], Company Schedule Attachment No. 1 Supplemental, Page 1
Column [B]: Schedule TBH GM-4
Column [C]: Column [A] + Column [B]

SUMMARY OF RATE BASE ADJUSTMENTS

			[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]
LINE NO.	ACCT NO.	PLANT IN SERVICE	Company as Adjusted with Post-Test Plant	Adj No. 1 Post-Test Year Plant	ADJ No. 2 Reclass Plant to Appropriate Classifications	ADJ No. 3 Unsupported Plant Treated as CIAC	ADJ No. 4 AIAC not paid during Test Year	ADJ No. 5 Accumulated Depreciation	ADJ No. 6 Working Capital Allowance	STAFF AS ADJUSTED
		Plant Description	Plant	Ref: Sch TBH GM-5	Ref: Sch TBH GM-6	Ref: Sch TBH GM-7	Ref: Sch TBH GM-8	Ref: Sch TBH GM-9	Ref: Sch TBH GM-10	
1	301	Organization Cost	\$110	\$0	\$0	\$0	\$0	\$0	\$0	\$110
2	302	Franchises	0	0	0	0	0	0	0	0
3	303	Land and Land Rights	0	14,700	0	0	0	0	0	14,700
4	304	Structures and Improvements	21,608	9,605	36,913	0	0	0	0	68,126
5	307	Wells and Springs ¹	113,472	(53,065)	539	0	0	0	0	60,946
6	309	Supply Mains	0	0	0	0	0	0	0	0
7	310	Power Generation Equipment	0	0	912	0	0	0	0	912
8	311	Pumping Equipment	105,182	17,637	(912)	0	0	0	0	121,906
9	320	Water Treatment Equipment	1,661	0	(1,661)	0	0	0	0	0
10	320.1	Water Treatment Plants	0	0	0	0	0	0	0	0
11	320.2	Solution Chemical Feeders	416	5,669	1,661	0	0	0	0	7,745
12	330	Distribution Reservoirs and Standpipes	7,775	0	(7,775)	0	0	0	0	0
13	330.1	Storage Tanks ²	250,705	(41,777)	(36,288)	0	0	0	0	172,640
14	330.2	Pressure Tanks	55,213	0	0	0	0	0	0	55,213
15	331	Transmission and Distribution Mains ³	445,165	4,869	0	0	0	0	0	450,034
16	333	Services	55,853	81	0	0	0	0	0	55,934
17	334	Meters and Meter Installations	6,652	0	0	0	0	0	0	6,652
18	335	Hydrants	8,774	0	0	0	0	0	0	8,774
19	336	Backflow Prevention Devices	1,027	402	0	0	0	0	0	1,428
20	339	Other Plant and Miscellaneous Equipment	4,850	0	0	0	0	0	0	4,850
21	340	Office Furniture and Equipment	0	0	0	0	0	0	0	0
22	340.1	Computers and Software	3,500	0	0	0	0	0	0	3,500
23	341	Transportation Equipment	7,456	0	19,000	0	0	0	0	26,456
24	343	Tools, Shop, and Garage Equipment	149	0	(149)	0	0	0	0	0
25	344	Laboratory Equipment	0	0	0	0	0	0	0	0
26	345	Power Operated Equipment	5,000	0	0	0	0	0	0	5,000
27	346	Communication Equipment	853	0	7,150	0	0	0	0	8,003
28	347	Miscellaneous Equipment	0	0	0	0	0	0	0	0
29	348	Other Tangible Equipment	20	0	0	0	0	0	0	20
30		Rounding	0	0	1	0	0	0	0	1
31		Total Plant in Service	\$1,095,441	(\$41,880)	\$19,391	\$0	\$0	\$0	\$0	\$1,072,951
32		Less: Accumulated Depreciation	532,491	0	0	0	0	5,552	0	538,043
33		Net Plant in Service	\$562,950	(\$41,880)	\$19,391	\$0	\$0	(\$5,552)	\$0	\$534,908
34		LESS:								
36		Advances in Aid of Construction (AIAC)	\$8,256	\$0	\$0	\$0	(\$2,235)	\$0	\$0	\$6,022
37		Meter Deposits - Service Line & Meter Advances	0	0	0	0	0	0	0	0
38										
39		Contributions in Aid of Construction (CIAC)	\$0	\$0	\$0	\$9,643				\$9,643
40		Less: Accumulated Amortization of CIAC	0	0	0	309				309
41		Net CIAC	\$0	\$0	\$0	\$9,334	\$0	\$0	\$0	\$9,334
42										
43		Total Advances and Net Contributions	\$8,256	\$0	\$0	\$9,334	(\$2,235)	\$0	\$0	\$15,355
44										
45		Customer Deposits	\$750	\$0	\$0	\$0				\$750
46		Accumulated Deferred Taxes	0	0	0	0				0
47										
48		ADD: Working Capital								
49		Prepayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
50		Cash Working Capital Allowance	10,662	0	0	0	0	0	(313)	10,349
51		Total Rate Base	\$564,606	(\$41,880)	\$19,391	(\$9,334)	\$2,235	(\$5,552)	(\$313)	\$529,152

¹ Company included \$75,000 for PTY Plant for Wells & Springs. Company provided an estimate in response to Data Request ("DR") GM TBH 1.50. \$50,000 for Easements and Water Rights (Land) and \$25,000 for Wells.

² Company included \$144,000 for PTY Plant for the Storage Tank. Storage Tank AOC provided in December 2015 - Plant Used and Useful at \$102,223.

³ Company included \$30,000 for PTY Plant for Transmission & Distribution Mains. Company provided an estimate in response to Data Request ("DR") GM TBH 1.50 estimated at \$34,869.

RATE BASE ADJUSTMENT NO. 1 - POST-TEST YEAR ("PTY") PLANT

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED WITH PTY PLANT	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Acct No. 303 - Land and Land Rights	\$0	\$14,700	\$14,700
2	Acct No. 304 - Structures & Improvements	21,608	9,605	31,213
3	Acct No. 307 - Wells and Springs ¹	113,472	(53,065)	60,407
4	Acct No. 311 - Pumping Equipment	105,182	17,637	122,819
5	Acct No. 320.2 - Solution Chemical Feeders	416	5,669	6,085
6	Acct No. 330.1 - Storage Tanks ²	250,705	(41,777)	208,928
7	Acct No. 331 - Transmission and Distribution Mains ³	445,165	4,869	450,034
8	Acct No. 333 - Services	55,853	81	55,934
9	Acct No. 334 - Meters and Meter Installations	6,652	0	6,652
10	Acct No. 336 - Backflow Prevention Devices	1,027	402	1,428
11	TOTAL PLANT RECLASSIFICATIONS	\$1,000,079	(\$41,880)	\$958,199
12				
13				
14	PLANT RECLASSIFICATIONS AND DISALLOWANCES			
15				
16				
17	DESCRIPTION	COMPANY AS FILED PTY PLANT	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
18	2013 Plant Addition, Acct No. 303 - Land Survey	\$0	\$500	\$500
19	2015 Plant Addition, Acct No. 303 - Land and Land Rights for Easements/Water Rights	0	14,200	14,200
20	Acct No. 303 - Land and Land Rights	0	14,700	14,700
21				
22	2013 Plant Addition, Acct No. 304 - Structures & Improvements	0	5,292	5,292
23	2013 Plant Removal (Disallowed), Acct No. 304 - Structures & Improvements	0	(3,500)	(3,500)
24	2014 Plant Addition, Acct No. 304 - Structures & Improvements	0	4,286	4,286
25	2015 Plant Addition, Acct No. 304 - Structures & Improvements ⁵	0	3,528	3,528
26	Acct No. 304 - Structures & Improvements	0	9,605	9,605
27				
28	2013 Plant Addition, Acct No. 307 - Wells and Springs	0	5,634	5,634
29	2014 Plant Addition, Acct No. 307 - Wells and Springs	0	126	126
30	2015 Plant Addition, Acct No. 307 - Wells and Springs - Reclassified and Adjusted Land ^{1,5}	75,000	(58,825)	16,175
31	Acct No. 307 - Wells and Springs	75,000	(53,065)	21,935
32				
33	2014 Plant Addition, Acct No. 311 - Pumping Equipment	0	17,234	17,234
34	2015 Plant Addition, Acct No. 311 - Pumping Equipment	0	403	403
35	Acct No. 311 - Pumping Equipment	0	17,637	17,637
36				
37	2014 Plant Addition, Acct No. 320.2 - Solution Chemical Feeders ⁴	0	4,574	4,574
38	2015 Plant Addition, Acct No. 320.2 - Solution Chemical Feeders	0	1,095	1,095
39	Acct No. 320.2 - Solution Chemical Feeders	0	5,669	5,669
40				
41	2015 Plant Additions, Acct. 330.1 Storage Tank ²	144,000	(41,777)	102,223
42	Acct No. 330.1 - Storage Tanks	144,000	(41,777)	102,223
43				
44	2013 Plant Addition, Acct No. 331 - Transmission and Distribution Mains	30,000	(24,700)	5,300
45	2014 Plant Addition, Acct No. 331 - Transmission and Distribution Mains	0	29,569	29,569
46	Acct No. 331 - Transmission and Distribution Mains	30,000	4,869	34,869
47				
48	2014 Plant Addition, Acct No. 333 - Services	0	81	81
49	Acct No. 333 - Services	0	81	81
50				
51	2014 Plant Additions, Acct No. 334 - Meters and Meter Installations	0	0	0
52	Acct No. 334 - Meters and Meter Installations	0	0	0
53				
54	2014 Plant Addition, Acct No. 336 - Backflow Prevention Devices	0	402	402
55	Acct No. 336 - Backflow Prevention Devices	0	402	402
56				
57	Total	\$249,000	(\$41,880)	\$207,120

¹ Company included \$75,000 for PTY Plant. Company provided an estimate in response to Data Request ("DR") GM TBH 1.50. \$50,000 for Easements and Water Rights (Land) and \$25,000 for Well.

² Company proposed PTY Plant for Acct. No. 330.1 - Storage Tanks \$144,000 For Storage Tank 3. Company provided invoices totaling \$106,043 and an adjustment for costs duplication (3,820) for a total of \$102,223. Company provided to the docket on 12/8/2015.

³ Company proposed PTY Plant for Acct. No. 331 - Transmission & Distribution Mains \$30,000 from Well No. 6 to Transmission Lines.

⁴ Vendor provided Staff an Invoice (RW Turner Sons Invoice 13535) totaling \$10,085.76 yet billed the Company \$9,567.62 due to a Change Order for the Pellet Coordinator (Credit of \$518.14).

⁵ Surrebital Staff Adjustment to PTY Plant - Staff's Engineer has reviewed the appraisal provided by the Company and the Company's rebuttal adjustments. Staff's Engineer has determined that the costs are reasonable for Well No. 6 at \$16,000 and \$1,232 for Well House (Building 5). Staff has adjusted in 2015 the cost estimates for the Well No. 6 (Acct. 307) from \$25,000 to \$16,000 and the Well House (Acct. 304) for Well No. 6 from \$0 to \$1,232. These adjustments result in reduction of \$7,768 in the estimated costs for Well No. 6 and Well House for Well No. 6 from \$25,000 to \$17,232.

References:

Column [A]: Company Schedules B-2 and Attachment No. 1, Supplemental Page 2.

Column [B]: Testimony, TBH, Company's response to DR GM TBH 1.50 and Company's filings to the docket for Storage Tank Construction Costs on 12/8/2015.

Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 2 - RECLASSIFY PLANT TO APPROPRIATE CLASSIFICATIONS

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Acct No. 304 - Structures & Improvements	\$21,608	\$36,913	\$58,520
2	Acct No. 307 - Wells & Springs	113,472	539	114,011
3	Acct No. 310 - Power Generation Equipment	0	912	912
4	Acct No. 311 - Pumping Equipment	105,182	(912)	104,270
5	Acct No. 320 - Water Treatment Equipment	1,661	(1,661)	0
6	Acct No. 320.2 - Solution Chemical Feeders	416	1,661	2,077
7	Acct No. 330 - Distr Reserv & Standpipes	7,775	(7,775)	0
8	Acct No. 330.1 - Storage Tanks	250,705	(36,288)	214,417
9	Acct No. 341 - Transportation Equipment	7,456	19,000	26,456
10	Acct No. 343 - Tools, Shop & Garage Equip	149	(149)	0
11	Acct No. 346 - Communication Equipment	853	7,150	8,003
12	Rounding	0	1	1
13	TOTAL PLANT RECLASSIFICATIONS	\$509,276	\$19,391	\$528,667
14				
15				
16	PLANT RECLASSIFICATIONS			
17				
18				
19	DESCRIPTION	PLANT ADDITIONS	PLANT RECLASS	STAFF AS ADJUSTED
20	2009 Plant Reclass, Acct No. 304 - Structures & Improvements	\$0	\$36,913	\$36,913
21	Acct No. 304 - Structures & Improvements	0	36,913	36,913
22				
23	2013 Plant Reclass, Acct No. 307 - Wells & Springs	0	539	539
24	Acct No. 307 - Wells & Springs	0	539	539
25				
26	2011 Plant Reclass, Acct No. 310 - Power Generation Equipment	0	912	912
27	Acct No. 310 - Power Generation Equipment	0	912	912
28				
29	2011 Plant Reclass, Acct No. 311 - Pumping Equipment	0	(912)	(912)
30	Acct No. 311 - Pumping Equipment	0	(912)	(912)
31				
32	2009 Plant Reclass, Acct No. 320 - Water Treatment Equipment	0	(1,661)	(1,661)
33	Acct No. 320 - Water Treatment Equipment	0	(1,661)	(1,661)
34				
35	2009 Plant Reclass, Acct No. 320.2 - Solution Chemical Feeders	0	1,661	1,661
36	Acct No. 320.2 - Solution Chemical Feeders	0	1,661	1,661
37				
38	2009 Plant Reclass, Acct No. 330 - Distr Reserv & Standpipes	0	(7,325)	(7,325)
39	2010 Plant Reclass, Acct No. 330 - Distr Reserv & Standpipes	0	(450)	(450)
40	Acct No. 330 - Distr Reserv & Standpipes	0	(7,775)	(7,775)
41				
42	2009 Plant Reclass, Acct No. 330.1 - Storage Tanks	0	(29,588)	(29,588)
43	2010 Plant Reclass, Acct No. 330.1 - Storage Tanks	0	(6,700)	(6,700)
44	Acct No. 330.1 - Storage Tanks	0	(36,288)	(36,288)
45				
46	2013 Plant Addition, Acct No. 341 - Transportation Equipment	19,000	0	19,000
47	Acct No. 341 - Transportation Equipment	19,000	0	19,000
48				
49	2013 Plant Reclass, Acct No. 343 - Tools, Shop & Garage Equip	0	(149)	(149)
50	Acct No. 343 - Tools, Shop & Garage Equip	0	(149)	(149)
51				
52	2010 Plant Reclass, Acct No. 346 - Communication Equipment	0	7,150	7,150
53	Acct No. 346 - Communication Equipment	0	7,150	7,150
54				
55	2013 Rounding	0	1	1
56	Rounding	0	1	1
57				
58	Total	\$19,000	\$391	\$19,391

References:

Column [A]: Company's Application - Attachment No. 1 Supplemental 5.2 - 5.6

Column [B]: Testimony, TBH, Company's response to DR GM TBH 1.3

Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 3 - UNSUPPORTED PLANT TREATED AS CIAC

		[A]	[B]	[C]			
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED			
1	CIAC, Unsupported Plant Treated as CIAC	\$0	\$9,643	\$9,643			
2	Amort of CIAC, Unsupported Plant Treated as CIAC	0	309	309			
3	Net CIAC, Unsupported Plant Treated as CIAC	\$0	\$9,334	\$9,334			
4							
5							
6	UNSUPPORTED PLANT TREATED AS CIAC						
7		Plant	Unsupported				
8		Selected	Plant				
9	DESCRIPTION	In Sample	Costs	Staff as Adjusted			
10	2009 Plant Addition, Acct No. 304 - Structures & Improvements	\$0	\$33,057	\$33,057			
11	Acct No. 304 - Structures & Improvements Subtotal	0	33,057	33,057			
12							
13	2009 Plant Addition, Acct No. 330.1 - Storage Tanks	0	38,822	38,822			
14	2010 Plant Addition, Acct No. 330.1 - Storage Tanks	0	14,477	14,477			
15	Acct No. 330.1 - Storage Tanks Subtotal	0	53,299	53,299			
16							
17	2009 Plant Addition, Acct No. 331 - Transmission & Distribution Mains	0	2,961	2,961			
18	Acct No. 331 - Transmission & Distribution Mains Subtotal	0	2,961	2,961			
19							
20	2010 Plant Addition, Acct No. 320.2 - Solution Chemical Feeders	0	416	416			
21	Acct No. 320.2 - Solution Chemical Feeders Subtotal	0	416	416			
22							
23	2010 Plant Addition, Acct No. 346 - Communication Equipment	0	6,700	6,700			
24	Acct No. 346 - Communication Equipment Subtotal	0	6,700	6,700			
25							
26	TOTAL UNSUPPORTED PLANT	\$0	\$96,432	\$96,432			
27							
28		Total		\$96,432			
29			x	10%			
30				\$9,643			
31							
32							
33	CALCULATION OF AMORTIZATION OF CIAC ON UNSUPPORTED PLANT						
34	Year Added	Plant Additions	Unsupported Plant	Year Transferred To CIAC	10% Plant in Service	Depreciation Rate	Amortization of CIAC
35	2009	Structures & Improvements	\$33,057	2013	3,306	3.33%	\$110
36	2009	Storage Tanks	38,822	2013	3,882	2.22%	86
37	2009	Trans. & Distr. Mains	2,961	2013	296	2.00%	6
38	2010	Solution Chemical Feeders	416	2013	42	20.00%	8
39	2010	Storage Tanks	14,477	2013	1,448	2.20%	32
40	2010	Communication Equip.	6,700	2013	670	10.00%	67
41							
42	Total		\$96,432		\$9,643		\$309
43							
44							

References:

Column [A]: Company's Application - Attachment No. 1 Supplemental 5.2 - 5.6

Column [B]: Testimony, TBH

Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 4 - AIAC REFUNDS NOT RECOGNIZED IN TEST YEAR

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	2013 Deferred Credits, Acct No. 252 - Advances in Aid of Construction	\$8,256	\$0	\$8,256
2	2013 Deferred Credits, Acct No. 252 - Advances in Aid of Construction Payments Due Customers	0	(2,235)	(2,235)
3	Total AIAC paid in 2014 for 2013 refunds due customers	\$8,256	(\$2,235)	\$6,022

References:

Column [A]: Company's Application - Attachment No. 1 Supplemental Page 2

Column [B]: Testimony, TBH, Company's response to DR's GM TBH 1.19 and GM TBH 2.6.

Column [C]: Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 5 - ACCUMULATED DEPRECIATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Accumulated Depreciation	\$532,491	\$5,552	\$ 538,043

References:

- Column [A]: Company's Application - Attachment No. 1 Supplemental 5.1 - 5.6
Column [B]: Testimony, TBH, Company Data Request Responses
Column [C] Column [A] + Column [B]

RATE BASE ADJUSTMENT NO. 6 - CASH WORKING CAPITAL ALLOWANCE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Cash Working Capital Allowance	\$10,662	(\$313)	\$10,349
2				
3	Operation & Maintenance*			\$79,713
4	Multiplied by		X	1/8
5				\$9,964
6				
7	Purchased Power & Purchased Water			\$9,241
8	Multiplied by		X	1/24
9				\$385
10				
11	Total Cash Working Capital Allowance			\$10,349
12				
13				

* Less depreciation, taxes, purchased power and purchased water

References:

Column [A]: Company's Application Attachment No. 1 Supplemental Page 1

Column [B]: Testimony, TBH, Company Data Request Responses

Column [C] Column [A] + Column [B]

OPERATING INCOME - ADJUSTED TEST YEAR AND STAFF RECOMMENDED

LINE NO.	DESCRIPTION	[A] COMPANY TEST YEAR AS FILED	[B] STAFF TEST YEAR ADJUSTMENTS	ADJ NO.	[C] STAFF TEST YEAR AS ADJUSTED	[D] STAFF RECOMMENDED CHANGES	[E] STAFF RECOMMENDED
	REVENUES:						
1	Metered Water Sales	\$114,273	\$0		\$114,273	\$62,184	\$176,457
2	Water Sales - Unmetered	0	0		0	0	0
3	Other Operating Revenues	3,174	(127)	1	\$3,047	0	3,047
4	Total Revenues	\$117,447	(\$127)		\$117,320	\$62,184	\$179,504
5							
6	EXPENSES:						
7	Salaries and Wages	\$38,942	(\$389)	8	\$38,553	\$0	\$38,553
8	Salaries and Wages - Officers	6,000	(896)		5,104	0	5,104
9	Employee Pensions & Benefits	0	0	8	0	0	0
10	Purchased Power	8,950	291	8	9,241	0	9,241
11	Fuel for Power Production	0	0		0	0	0
12	Chemicals	47	66	8	113	0	113
13	Repairs and Maintenance	4,339	(2,048)	2, 8	2,291	0	2,291
14	Office Supplies & Expense	8,314	(3,164)	3, 8	5,150	0	5,150
15	Contractual Services	11,353	(6,406)	4, 8	4,947	0	4,947
16	Water Testing	5,380	(3,530)	5, 8	1,850	0	1,850
17	Rents	0	2,700	8	2,700	0	2,700
18	Transportation Expenses	5,453	(236)	6, 8	5,217	0	5,217
19	Insurance - General Liability	1,292	645	8	1,937	0	1,937
20	Insurance - Health and Life	0	640	8	640	0	640
21	Reg. Comm. Exp.	321	0		321	0	321
22	Reg. Comm. Exp. - Rate Case	3,333	6,667	7	10,000	0	10,000
23	Miscellaneous Expense	102	16	8	118	0	118
24	Bad Debt Expense	772	0		772	1,180	1,952
25	Depreciation Expense	27,096	5,338	9	32,434	0	32,434
26	Taxes Other Than Income	0	0		0	0	0
27	Property Taxes	5,052	(642)	10	4,410	856	5,266
28	Payroll Taxes	0	3,403	8	3,403	0	3,403
29	Income Taxes	(1,147)	(1,890)	11	(3,037)	9,796	6,759
30	Rounding	1	0		1	0	1
31	Total Operating Expenses	\$125,600	\$564		\$126,164	\$11,832	\$137,996
32							
33	Operating Income (Loss)	(\$8,153)	(\$691)		(\$8,844)	\$50,352	\$41,508

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1
Column [B]: Schedule TBH GM-16
Column [C]: Column [A] + Column [B]
Column [D]: Schedules TBH GM-1 and TBH GM-2
Column [E]: Column [C] + Column [D]

SUMMARY OF OPERATING INCOME ADJUSTMENTS - TEST YEAR

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) ADJ NO. 1 Unauthorized Surcharge - Other Revenue	(C) ADJ NO. 2 Repairs and Maintenance	(D) ADJ NO. 3 Office Supplies	(E) ADJ NO. 4 Contractual Services	(F) ADJ NO. 5 Water Testing	(G) ADJ NO. 6 Transportation	(H) ADJ NO. 7 Rate Case Expense	(I) ADJ NO. 8 Allocations to Water Companies	(J) ADJ NO. 9 Depreciation Expense	(K) ADJ NO. 10 Property Taxes	(L) ADJ NO. 11 Taxes Income Tax Expense	(M) STAFF ADJUSTED
1	REVENUES													
2	Metered Water Sales	\$114,273	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$114,273
3	Water Sales - Unmetered	3,174	0	0	0	0	0	0	0	0	0	0	0	3,174
4	Other Operating Revenues		(127)											
5	Total Revenues	\$117,447	(\$127)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$117,320
6	OPERATING EXPENSES:													
7	Salaries and Wages	\$38,942	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$389)	\$0	\$0	\$0	\$38,553
8	Salaries and Wages - Officers	6,000	0	0	0	0	0	0	0	(896)	0	0	0	5,104
9	Employee Pensions & Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Employee Pensions & Benefits	8,950	0	0	0	0	0	0	0	291	0	0	0	9,241
11	Purchased Power	0	0	0	0	0	0	0	0	0	0	0	0	0
12	Fuel for Power Production	47	0	0	0	0	0	0	0	66	0	0	0	113
13	Chemicals	4,339	0	0	0	0	0	0	0	(257)	0	0	0	2,291
14	Repairs and Maintenance	8,314	0	(1,792)	0	0	0	0	0	(1,438)	0	0	0	5,150
15	Office Supplies & Expense	11,353	0	0	(1,727)	0	0	0	0	1,125	0	0	0	4,947
16	Contractual Services	5,380	0	0	0	0	0	0	0	2,700	0	0	0	1,850
17	Water Testing	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Rents	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Transportation Expenses	5,453	0	0	0	0	0	0	0	0	0	0	0	2,700
20	Insurance - General Liability	1,292	0	0	0	0	0	0	0	0	0	0	0	5,217
21	Insurance - Health and Life	0	0	0	0	0	0	0	0	0	0	0	0	1,937
22	Reg. Comm. Exp.	321	0	0	0	0	0	0	0	0	0	0	0	640
23	Reg. Comm. Exp. - Rate Case	3,333	0	0	0	0	0	0	0	0	0	0	0	321
24	Miscellaneous Expenses	102	0	0	0	0	0	0	0	16	0	0	0	118
25	Bad Debt Expense	772	0	0	0	0	0	0	0	0	0	0	0	772
26	Depreciation Expense	27,096	0	0	0	0	0	0	0	0	5,338	0	0	32,434
27	Taxes Other Than Income	0	0	0	0	0	0	0	0	0	0	0	0	0
28	Property Taxes	5,052	0	0	0	0	0	0	0	0	0	0	0	4,410
29	Payroll Taxes	0	0	0	0	0	0	0	0	0	0	0	0	3,403
30	Income Taxes	(1,147)	0	0	0	0	0	0	0	3,403	0	0	(1,890)	(3,037)
31	Roundings	1	0	0	0	0	0	0	0	0	0	0	0	1
32	Total Operating Expenses	\$125,600	\$0	(\$1,792)	(\$1,727)	(\$7,531)	(\$3,530)	(\$900)	\$6,667	\$6,570	\$5,338	(\$642)	(\$1,890)	\$126,164
33	Operating Income (Loss)	(\$8,153)	(\$127)	\$1,792	\$1,727	\$7,531	\$3,530	\$900	(\$6,667)	(\$6,570)	(\$5,338)	\$642	\$1,890	(\$8,846)

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-13

OPERATING INCOME ADJUSTMENT NO. 1 - UNAUTHORIZED SURCHARGE - OTHER REVENUE

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Other Revenue - Surcharge	\$3,174	(\$127)	\$3,047

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, TBH, DR GM TBH 1.31

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 2 - REPAIRS AND MAINTENANCE

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Repairs and Maintenance	\$4,339	(\$1,792)	\$2,547
2				
3				
4				
5	Repairs & Maintenance			
6	To reclass cost of culvert from expenses to PTY Plant			
7	Payment for materials for culvert at Short Spur for new well		\$3,292	
8	Monies for half of the culvert for new well at Short Spur		(1,500)	
9	Total reclass to CWIP			(\$1,792)
10				

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, TBH, DR GM TBH 1.31

Column [C]: Column [A] + Column [B]

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-15

OPERATING INCOME ADJUSTMENT NO. 3 - OFFICE SUPPLIES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Office Supplies	\$8,314	(\$1,727)	\$6,587
2				
3	Office Supplies			
4	Disallowed Expenses for Mr. Levie's Office Phone for Prop. Mgmt.		(\$1,727)	

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, TBH

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 4 - CONTRACTUAL SERVICES

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Contractual Services	\$11,353	(\$7,531)	\$3,822
2				
3				
4	Contractual Services			
5	Engineering Expenses - Reclass to CWIP	(\$3,500)		
6	New well testing on Short Spur - Reclass to CWIP	(3,045)		
7	Contact Labor for rate case preparation - Reclass to Rate Case Expenses	(345)		
8	Ariccor Watrr Solutions - Reclass to Rate Case Expenses	(641)		
9	Total Contractual Services Reclassification		(\$7,531)	

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, TBH

Column [C]: Column [A] + Column [B]

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-17

OPERATING INCOME ADJUSTMENT NO. 5 - WATER TESTING

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Water Testing	\$5,380	(\$3,530)	\$1,850
2				
3	Reclassification of Water Testing Expenses			
4	Well No. 6 ADEQ Expenses - Reclass to CWIP		(\$2,500)	
5	Storage Tank #3 ADEQ Expenses - Reclass to CWIP		(1,800)	
6	Total Water Testing Reclassification			(\$4,300)
7				
8	Water Testing Costs Per Table 4 - Engineering Report			
9	Actual Water Testing Costs		\$1,850	
10	Total Normalized Water Testing Costs			\$1,850
11				
12				

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1
Column [B]: Testimony, TBH, Engineering Report in Exhibit 1
Column [C]: Column [A] + Column [B]

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-18

OPERATING INCOME ADJUSTMENT NO. 6 - TRANSPORTATION

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Transportation Expenses	\$5,453	(\$900)	\$4,553
2				
3	Transportation			
4	Disallowed Expenses for Gas Reimbursements	(\$900)	(\$900)	

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1
Column [B]: Testimony, Data Request Responses TBH 1.37 and TBH 2.13
Column [C]: Column [A] + Column [B]

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-19

OPERATING INCOME ADJUSTMENT NO. 7 - RATE CASE

		[A]	[B]	[C]
LINE NO.	DESCRIPTION	COMPANY AS FILED	STAFF ADJUSTMENTS (Col C - Col A)	STAFF AS ADJUSTED
1	Rate Case Expense	\$3,333	\$6,667	\$10,000
2				
3				
4				
5				
6		Rate Case	Staff Adjusted	
7	Company	Expense as filed	Rate Case Expense	Difference
8	Chino Meadows	\$40,000	\$45,000	\$5,000
9	Granite Mountain	10,000	30,000	20,000
10	Total	\$50,000	\$75,000	\$25,000

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1

Column [B]: Testimony, Data Request Responses TBH 1.7 and TBH 2.4

Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED	[D] Chino Meadows as filed	[E] Original amount allocated to Granite Mountain	[F] Reclassification	[G] Staff Adjustments	[H] Normalize	[I] Chino Meadows Direct	[J] Cost to be Allocated	[K] Portion allocated to unregulated Companies	[L] Amount allocated to unregulated Companies	[M] Amount allocated to regulated Companies	[N] Granite Mountain Adjusted 4-factor allocation	[O] Amount to be allocated to Granite Mountain	[P] Granite Mountain Direct
1	Salaries and Wages	\$38,942	(\$389)	\$38,553	\$179,965	\$0	(\$15,718)	(\$17,444)	\$13,834	\$0	\$160,638	0%	\$0	\$160,638	24.00%	\$38,553	\$0
2	Salaries and Wages - Officers	6,000	(896)	5,104	31,700	6,000	0	(16,434)	0	0	21,266	0%	0	21,266	24.00%	\$5,104	0
3	Purchased Power	8,950	291	9,241	24,401	247	0	(46)	0	22,110	2,493	10%	249	2,244	24.00%	\$538	8,702
4	Chemicals	47	66	113	425	47	0	0	0	0	472	0%	0	472	24.00%	113	0
5	Repairs and Maintenance	4,339	(257)	4,082	8,899	633	1,281	(124)	0	2,159	8,530	0%	0	8,530	24.00%	2,047	2,035
6	Office Supplies & Expense	8,314	(1,438)	6,876	30,594	1,988	(12,000)	(2,804)	(208)	0	17,569	10%	1,757	15,812	24.00%	3,795	3,081
7	Rents	0	2,700	2,700	0	3,000	12,000	0	0	0	15,000	25%	3,750	11,250	24.00%	2,700	0
8	Contractual Services	11,353	1,125	12,478	11,457	490	(500)	(1,232)	0	3,489	6,726	0%	0	6,726	24.00%	1,614	10,863
9	Transportation Expenses	5,453	664	6,117	24,752	2,736	1,817	(7,380)	(186)	0	21,739	0%	0	21,739	24.00%	5,217	900
10	Insurance - General Liability	1,292	645	1,937	8,964	296	0	(1,058)	594	0	9,496	15%	1,424	8,072	24.00%	1,937	0
11	Insurance - Health and Life	0	640	640	2,667	296	0	0	0	0	2,963	10%	296	2,667	24.00%	640	0
12	Miscellaneous Expenses	102	16	118	8,848	245	(3,397)	(2,301)	0	2,903	490	0%	0	490	24.00%	118	0
13	Payroll Taxes	3,403	0	3,403	0	0	15,718	(1,539)	0	0	14,179	0%	0	14,179	24.00%	3,403	0
14	Total	\$84,792	\$6,570	\$91,362	\$332,672	\$16,678	(\$799)	(\$50,362)	\$14,034	\$30,661	\$281,562	0%	\$7,477	\$274,085	24.00%	\$65,780	\$25,582
15																	
16																	
17																	
18																	
19																	
20																	
21																	
22																	
23																	
24																	
25																	
26																	
27																	
28																	
29																	
30																	
31																	
32																	
33	Total																\$91,362

References:

Column [A]: Company Application Attachment No. 2 Supplemental Page 1
Column [B]: Column [C] - Column [A]
Column [C]: Col [F] + Col [Q]
Column [D]: Chino Meadows Schedule TBH CM-14
Column [E]: Chino Meadows general ledger provided in DR CM TBH 1.3
Column [F]: Schedule TBH CM-19b
Column [G]: Schedule TBH CM-19c
Column [H]: Chino Meadows Schedule TBH CM-20a, Co. [I]
Column [J]: Col [D] + Col [E] + Col [F] + Col [G] + Col [H] - Col [I]
Column [K]: Testimony, TBH
Column [L]: Col [J] * Col [K]
Column [M]: Col [J] - Col [L]
Column [N]: Schedule TBH GM-20e
Column [P]: Col [M] * Col [N]

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS RECLASSIFICATIONS

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$15,718)	\$164,247
2	Salaries and Wages - Officers	31,700	0	31,700
3	Purchased Power	24,401	0	24,401
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	1,281	10,180
6	Office Supplies & Expense	30,594	(12,000)	18,594
7	Rents	0	12,000	12,000
8	Contractual Services	11,457	(500)	10,957
9	Transportation Expenses	24,752	1,817	26,569
10	Insurance - General Liability	8,964	0	8,964
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(3,397)	5,451
13	Payroll Taxes	0	15,718	15,718
14				
15	Salaries and Wages			
16	Payroll taxes included as salaries and wages	(\$15,718)	(\$15,718)	
17				
18	Repairs and Maintenance			
19	To reclass expense to plant	(\$539)		
20	Amount originally booked to Granite Mountain to be included in the cost pool	1,820	\$1,281	
21				
22	Office Supplies & Expense			
23	Rent - Misclassified as Office Supplies	(\$12,000)	(\$12,000)	
24				
25	Rents			
26	Rent - Misclassified as Office Supplies	\$12,000	\$12,000	
27				
28	Contractual Services			
29	Survey for Granite Mountain Well No. 6 Site	(\$500)	(\$500)	
30				
31	Transportation Expenses			
32	Amount originally booked to Granite Mountain to be included in the cost pool	\$1,817	\$1,817	
33				
34	Miscellaneous Expenses			
35	To correct for bad debt expenses included in miscellaneous expenses	(\$3,000)		
36	Adjustment - Less Security Deposits Corrections	(554)		
37	To adjust for bad debts recovered and collection fees included in miscellaneous expenses	157	(\$3,397)	
38				
39	Payroll Taxes			
40	Payroll taxes included as salaries and wages	\$15,718	\$15,718	

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS DISALLOWED

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	(\$17,444)	\$162,521
2	Salaries and Wages - Officers	31,700	(16,434)	15,266
3	Purchased Power	24,401	(46)	24,355
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	(124)	8,775
6	Office Supplies & Expense	30,594	(2,804)	27,790
7	Rents	0	0	0
8	Contractual Services	11,457	(1,232)	10,225
9	Transportation Expenses	24,752	(7,380)	17,372
10	Insurance - General Liability	8,964	(1,058)	7,906
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	(2,301)	6,547
13	Payroll Taxes	0	(1,539)	(1,539)
14				
15				
16	Salaries and Wages			
17	Non-regulated salaries and wages	(\$17,444)	(\$17,444)	
18				
19	Salaries and Wages - Officers			
20	Pay adjusted to reflect actual time worked	(\$11,761)		
21	Duties assigned to office manager	(4,673)	(16,434)	
22				
23	Purchased Power			
24	To adjust for late fees	(\$46)	(\$46)	
25				
26	Repairs and Maintenance			
27	To adjust for personal expense	(\$124)	(\$124)	
28				
29	Office Supplies & Expense			
30	Interest and Late Fees	(\$44)		
31	Mrs. Levie Phone & Charges, Collect Calls, Paul International Call & Plan	(1,888)		
32	Meals	(218)		
33	Miscellaneous Personal Expenses	(524)		
34	2010 Expense	(130)	(\$2,804)	
35				
36	Contractual Services			
37	Legal Fees for Fire	(\$1,232)	(\$1,232)	
38				
39	Transportation Expenses			
40	Gas Reimbursement \$100 per month - Company no longer providing	(\$800)		
41	Personal Use Purchases - Tires	(2,497)		
42	Out of State Gasoline Purchase	(2,229)		
43	Bulk Delivery of Gasoline to Paul's Home (530 gallons)	(1,854)	(\$7,380)	
44				
45	Insurance - General Liability			
46	Remove Vehicle AZ-1 TBH 1.39 Unregulated Associated Co.	(\$1,058)	(\$1,058)	
47				
48	Miscellaneous Expenses			
49	Gifts	(\$1,559)		
50	Meals	(683)		
51	Donations	(60)	(\$2,301)	
52				
53	Payroll Taxes			
54	Non-regulated payroll taxes	(\$1,539)	(\$1,539)	

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS NORMALIZATION

LINE NO.	DESCRIPTION	[A] COMPANY AS FILED	[B] STAFF ADJUSTMENTS	[C] STAFF AS ADJUSTED
1	Salaries and Wages	\$179,965	\$13,834	\$193,799
2	Salaries and Wages - Officers	31,700	0	31,700
3	Purchased Power	24,401	0	24,401
4	Chemicals	425	0	425
5	Repairs and Maintenance	8,899	0	8,899
6	Office Supplies & Expense	30,594	(208)	30,386
7	Rents	0	0	0
8	Contractual Services	11,457	0	11,457
9	Transportation Expenses	24,752	(186)	24,566
10	Insurance - General Liability	8,964	594	9,558
11	Insurance - Health and Life	2,667	0	2,667
12	Miscellaneous Expenses	8,848	0	8,848
13	Payroll Taxes	0	0	0
14				
15				
16	Salaries and Wages			
17	Normalize salaries and benefits	\$13,834	\$13,834	
18				
19	Office Supplies & Expense			
20	Normalize Carbonite over 3 years	(\$94)		
21	Normalize GoDaddy 5 year contract	(114)	(\$208)	
22				
23	Transportation Expenses			
24	Normalize Vehicle Registration for 2 years	(\$186)	(\$186)	
25				
26	Insurance - General Liability			
27	Normalize Insurance Policy adjustment for refunds	\$594	\$594	

OPERATING INCOME ADJUSTMENT NO. 8 - 4-FACTOR ALLOCATION CALCULATION

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]
Line No.	Company	Customer count	Customer count %	Net Plant in service	Net Plant in service %	Total Annual Revenue	Annual Revenue %	Total Annual Gallons Pumped	Gallons Pumped %	4-factor %	Staff Adjusted 4-factor %
1	Antelope Lakes	2	0.20%	\$62,347	11.34%	\$613	0.13%	95	0.13%	2.95%	1.00%
2	Chino Meadows	899	87.96%	173,351	31.54%	357,364	75.17%	64,140	85.81%	70.12%	75.00%
3	Granite Mountain	121	11.84%	313,950	57.12%	117,447	24.70%	10,510	14.06%	26.93%	24.00%
4	Total	1,022		\$549,648		\$475,424		74,745		100.00%	100.00%

References:

Column [A]: The Customer counts for Chino Meadows and Granite Mountain the applications; and for Antelope Lakes, the 2013 Annual Report, p. 12 as of 12/31/2013

Column [B]: Column [A] / Line 4.

Column [C]: The Net Plant in service information for Chino Meadows and Granite Mountain are from the applications & Schedule TBH-4; the information for Antelope Lakes is from the 2013 Annual Report on Revised Balance Sheet, p. 6 as of

Column [D]: Column [C] / Line 4.

Column [E]: The Total Annual Revenue information for Chino Meadows and Granite Mountain are from the applications; the information for Antelope Lakes, is from the 2013 Annual Report, p. 8 as of 12/31/2013

Column [F]: Column [E] / Line 4.

Column [G]: The Total Annual Gallons Pumped information for Chino Meadows and Granite Mountain is from the application; the information for Antelope Lakes, is from the 2013 Annual Report on Revised Balance Sheet, p. 12 as of 12/31/2013

Column [H]: Column [G] / Line 4.

Column [I]: Average of Columns [B, D, F, and H].

Column [J]: Staff Adjusted 4-factor percentage. Discussed in Surrebuttal Testimony.

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS SALARIES & WAGES CALCULATION

LINE NO.	[A] 2014 Current Salaries	[B] 2014 Current or Estimated Hourly Rate	[C] 2014 Current or Estimated Salary and Wages	[D] 2014 Current or Estimated Payroll Taxes	[E] Non-Regulated ¹ Hours	[F] 2014 Non-Regulated Salary and Wages	[G] 2014 Non-Regulated Payroll Taxes	[H] Staff Adjusted Salaries and Wages	[I] Staff Adjusted Payroll Taxes
1	Barney ²	\$26.61	\$55,356	\$4,670	10%	\$5,536	\$467	\$49,821	\$4,203
2	Nelson	14.50	30,160	2,714	5%	1,508	136	28,652	2,579
3	Lopez	17.50	36,400	3,276				36,400	3,276
4	Feichter	14.50	30,160	2,714				30,160	2,714
5	Magnussen	12.50	26,000	2,340	40%	10,400	936	15,600	1,404
6	Rounding	0.00	5	3				5	3
7	Total		\$178,082	\$15,718		\$17,444	\$1,539	\$160,638	\$14,179

¹ Hours per week/2,080 hours per year. Percentages provided by Chino Meadows (CM) and Granite Mountain (GM) in DRs CM TBH-2.12h, CM TBH-2.5 and GM TBH-2.5g.

² Per TBH 1.25g Barney \$13,000 bonuses to adjust pay to match responsibilities.

References:

- Column [A]: Company Schedule C-2
- Column [B]: Testimony, TBH
- Column [C]: Column [A] + Column [B]

OPERATING INCOME ADJUSTMENT NO. 8 - ALLOCATIONS OFFICER'S SALARIES CALCULATION

LINE NO.	DESCRIPTION	[A]	
		Officer Salary	Hours worked per month
1	Supervision and management of company personnel		12
2	Oversight of company operations		6
3	Provide strategic direction		6
4	Review company financial data including payables, receivable, revenue and expenses		12
5	Provide legal representation for Company		8
6	Review payroll and sign checks		4
7	Review and authorize all vendor payments		4
8	Acquire regulate and oversee company loans and long-term debts		8
9	Meeting with operations management to review capital program and address operational issues and ensure proper facilities and equipment are available		20
10	Develop and review company processes and procedures to ensure regulatory compliance		8
11	Review & advise Company on manuals such as employee handbook & emergency response manual		1
12	Total Monthly Hours		89
13			
14	Less hours out of town (33 percent of the total monthly hours)		29.37
15	Adjusted Hours		59.63
16			
17	Adjusted Hours * \$36.25 ¹ * 12 months	\$25,939	
18	Less Additional Increase for Operations Manager from 2013 to 2014 ²	(4,673)	
19	Adjusted Officers Salary	\$21,266	
20	¹ Based on Annual Salary of Mr. Levie (Half Time Employee) \$31,700 for Chino Meadows and \$6,000 for Granite Mountain =		
21	\$37,700. Annual Salary / 1,040 hours per year (52 weeks x 20 hours per week) = Hourly Rate of \$36.25		
22	² Operations Manager's Salary for 2013 was \$50,683 and for 2014 was \$55,356. The additional increase is \$4,673.		

References:

Column [A] : Per DRs CM TBH 1.26.g, CM TBH 2.12, CM TBH 3.7 and GM TBH 2.5

OPERATING INCOME ADJUSTMENT NO. 9 - DEPRECIATION EXPENSE ON TEST YEAR PLANT

LINE NO.	ACCT NO.	DESCRIPTION	[A] PLANT In SERVICE Per Staff	[B] Non-Depreciable or Fully Depreciated PLANT	[C] DEPRECIABLE PLANT (Col A - Col B)	[D] DEPRECIATION RATE	[E] DEPRECIATION EXPENSE (Col C x Col D)
1	301	Organization Cost	\$110	\$110	\$0	0.00%	\$0
2	302	Franchises	0	0	0	0.00%	0
3	303	Land and Land Rights	14,700	14,700	0	0.00%	0
4	304	Structures and Improvements	68,126	0	68,126	3.33%	2,269
5	307	Wells and Springs	60,946	0	60,946	3.33%	2,029
6	309	Supply Mains	0	0	0	2.00%	0
7	310	Power Generation Equipment	912	0	912	5.00%	46
8	311	Pumping Equipment	121,906	108,950	12,956	12.50%	1,620
9	320	Water Treatment Equipment					
10	320.1	Water Treatment Plants	0	0	0	3.33%	0
11	320.2	Solution Chemical Feeders	7,745	2,077	5,668	20.00%	1,134
12	330	Distribution Reservoirs and Standpipes					
13	330.1	Storage Tanks	172,640	0	172,640	2.22%	3,833
14	330.2	Pressure Tanks	55,213	0	55,213	5.00%	2,761
15	331	Transmission and Distribution Mains	450,034	0	450,034	2.00%	9,001
16	333	Services	55,934	0	55,934	3.33%	1,863
17	334	Meters and Meter Installations	6,652	0	6,652	8.33%	554
18	335	Hydrants	8,774	0	8,774	2.00%	175
19	336	Backflow Prevention Devices	1,428	0	1,428	6.67%	95
20	339	Other Plant and Miscellaneous Equipment	4,850	0	4,850	6.67%	323
21	340	Office Furniture and Equipment	0	0	0	6.67%	0
22	340.1	Computers and Software	3,500	0	3,500	20.00%	700
23	341	Transportation Equipment	26,456	0	26,456	20.00%	5,291
24	343	Tools, Shop, and Garage Equipment	0	0	0	5.00%	0
25	344	Laboratory Equipment	0	0	0	10.00%	0
26	345	Power Operated Equipment	5,000	0	5,000	5.00%	250
27	346	Communication Equipment	8,003	0	8,003	10.00%	800
28	347	Miscellaneous Equipment	0	0	0	10.00%	0
29	348	Other Tangible Equipment	20	20	0	0.00%	0
30		Rounding	1	0	1	0.00%	0
31		Total Plant	\$1,072,951	\$125,857	\$947,094		\$32,743
32							
33							
37							
38							
39							
40							
41							
42							
43							

Amortization of Plant based on Appropriate Depreciation Rates:			
Description	Plant in Service	Depreciation Rates	Amortization of CIAC
Structures & Improvements	3,306	3.33%	\$110
Storage Tanks	3,882	2.22%	86
Trans. & Distr. Mains	296	2.00%	6
Solution Chemical Feeders	42	20.00%	8
Storage Tanks	1,448	2.20%	32
Communication Equip.	670	10.00%	67
Totals	\$9,643		\$309
Amortization of CIAC (Depreciation Rates Identified):			
CIAC Plant in Service (Depreciation Rates Identified):			\$309
Depreciation Expense Before Amortization of CIAC:			
Less Amortization of CIAC:			309
Test Year Depreciation Expense - Staff:			\$32,434
Depreciation Expense - Company:			27,096
Staff's Total Adjustment:			\$5,338

References:

Column [A]: Schedule TBH GM-4
Column [B]: From Column [A]
Column [C]: Column [A] - Column [B]
Column [D]: Engineering Staff Report
Column [E]: Column [C] x Column [D]

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-22

OPERATING INCOME ADJUSTMENT NO 10 - PROPERTY TAX EXPENSE

LINE NO.	Property Tax Calculation	[A] STAFF AS ADJUSTED	[B] STAFF RECOMMENDED
1	Staff Adjusted Test Year Revenues	\$117,320	\$117,320
2	Weight Factor	2	2
3	Subtotal (Line 1 * Line 2)	\$234,640	\$234,640
4	Staff Recommended Revenue, Per Schedule TBH-1	117,320	179,504
5	Subtotal (Line 4 + Line 5)	\$351,960	\$414,144
6	Number of Years	3	3
7	Three Year Average (Line 5 / Line 6)	\$117,320	\$138,048
8	Department of Revenue Multiplier	2	2
9	Revenue Base Value (Line 7 * Line 8)	\$234,640	\$276,096
10	Plus: 10% of CWIP	0	0
11	Less: Net Book Value of Licensed Vehicles - Schedule TBH-19 Line 23	\$21,165	\$21,165
12	Full Cash Value (Line 9 + Line 10 - Line 11)	\$213,475	\$254,931
13	Assessment Ratio	18.50%	18.50%
14	Assessment Value (Line 12 * Line 13)	\$39,493	\$47,162
15	Composite Property Tax Rate	11.17%	11.17%
16	Staff Test Year Adjusted Property Tax (Line 14 * Line 15)	\$4,410	\$0
17	Company Proposed Property Tax	\$5,052	
18	Staff Test Year Adjustment (Line 16-Line 17)	(\$642)	
19	Property Tax - Staff Recommended Revenue (Line 14 * Line 15)		\$5,266
20	Staff Test Year Adjusted Property Tax Expense (Line 16)		4,410
21	Increase in Property Tax Expense Due to Increase in Revenue Requirement		856
22	Increase to Property Tax Expense		\$856
23	Increase in Revenue Requirement		\$62,184
24	Increase to Property Tax per Dollar Increase in Revenue (Line 19/Line 20)		1.38%

Granite Mountain Water Co., Inc.
Docket No. W-02467A-14-0230
Test Year Ended December 31, 2013

Final Schedule TBH GM-23

OPERATING INCOME ADJUSTMENT NO. 11 - TEST YEAR INCOME TAXES

LINE NO.	DESCRIPTION	(A) COMPANY AS FILED	(B) STAFF ADJUSTMENTS (Col C - Col A)	(C) STAFF AS ADJUSTED
1	Income Tax Expense	(1,147)	(1,890)	(3,037)
2	Total	(1,147)	(1,890)	(3,037)

**PROPERTY TAX ADJUSTMENT NO. 1 - ADJUSTMENTS TO CONSTRUCTION WORK IN PROGRESS AND
ADDITIONS FOR STORAGE TANK NO. 3**

LINE NO.	DESCRIPTION	[A]	[B]	[C]
		COMPANY AS FILED	STAFF ADJUSTMENTS	STAFF AS ADJUSTED
1	Company Proposed Construction Work in Progress	\$0	\$0	\$0
2				

References:

Column [A]: Company Balance Sheet Acct. No. 105

Column [B]: Testimony, TBH

Column [C]: Column [A] + Column [B]

RELATED PARTY TRANSACTIONS - COMPANY FAILED TO APPROPRIATELY COLLECT REVENUE PURSUANT TO DECISION 71869 (UNCOLLECTED RELATED PARTY TRANSACTIONS IN TEST YEAR)

[A] Water Acct No.	[B] Name on Account	[C] [REDACTED]	[D] Balance 12.31.12	[E] Account Status	[F] Water	[G] Taxes	[H] Surcharge	[I] Penalty	[J] Adjustments ¹	[K] Payments	[L] Total	[M] Staff Adjusted Revenues 2013 ¹	[N] Staff Adjusted Balance Due 12.31.13 ¹	[O] Date Range	[P] # of Bills Not Appropriately Collected
80.002.01	Levie, Daniel P ²	[REDACTED]	\$3,369.03	Active	\$2,873.68	\$208.53	\$3.03	\$811.41	(\$1,564.42)	\$0.00	\$2,332.23	\$3,688.12	\$7,265.68	1.1.13 to 12.31.13	24
81.002.01	Levie, Daniel P ³		4,381.13	Active	2,386.77	157.77	2.30	831.54	0.00	0.00	3,378.38	3,220.61	\$7,759.51	1.1.13 to 12.31.13	29
80.001.02	Granite Mtn Stables ⁴		428.15	Active	2,009.92	135.93	1.99	111.29	0.00	(1,530.00)	729.13	593.20	\$1,157.28	1.1.13 to 12.31.13	40
80.012.00	Levie, Daniel P ⁵		244.38	Active	842.40	48.94	0.72	50.44	0.00	0.00	942.50	893.56	\$1,186.88	1.1.13 to 12.31.13	29
Totals			\$8,422.69		\$8,112.77	\$551.17	\$8.04	\$1,804.68	(\$1,564.42)	(\$1,530.00)	\$7,382.24	\$8,395.49	\$17,369.35		122

¹ Staff did not include any adjustments in the Adjusted Revenues.

² Per Decision 71869 Page 23 Line 16, Identified as Daniel's Home Property. Adjustment for Water Leak and Late Fees GM TBH 2.9, Balance paid by Mr. Paul Levie \$5,701.26. However, DT GM TBH 3.10 states Check for \$2,201.26 and offset for \$3,500 for check to Mr. Daniel Levie for work on Culvert for \$3,500 Check 5403 (voided) in GM TBH 2.15. Copy of Check for payment DR GM TBH 3.11. Not properly collected from 12/2011 to 11/2013.

³ Payment made by Mr. Paul Levie per DR GM TBH 3.10 for \$7,759.51. Copy of Check for payment DR GM TBH 3.11. Not properly collected from 7/2011 to 11/2013.

⁴ Per Decision 71869 Page 23 Line 17, Identified as Stables Property. Sporadic Payments made in 5 payments through Test year. Not properly collected on since 9/2010.

⁵ Payment made by Mr. Paul Levie per DR GM TBH 3.10 for \$7,759.51. Copy of Check for payment DR GM TBH 3.11. Not properly collected from 7/2011 to 11/2013.

References:

Column [A]: Company C-1

Column [B]: Testimony, GM TBH 1.42, GM TBH 2.15, GM TBH 2.9, GM TBH 3.10, GM TBH 3.11

Column [C]: Column [A] + Column [B]

RATE DESIGN					
Monthly Usage Charge	Present Rates		Company Proposed Rates		Staff Recommended Rates
<u>Meter Size (All Classes):</u>					
5/8 x 3/4 Inch	\$ 25.00		\$ 38.50		\$ 37.50
3/4 Inch	37.50		57.75		56.25
1 Inch	62.50		96.25		93.75
1 1/2 Inch	125.00		192.50		187.50
2 Inch	200.00		308.00		300.00
3 Inch	400.00		616.00		600.00
4 Inch	625.00		962.50		937.50
6 Inch	1,250.00		1,925.00		1,875.00
<u>Commodity Charge - Per 1,000 Gallons</u>					
<u>5/8" x 3/4" Meter (Residential)</u>					
First 4,000 gallons	4.40		N/A		N/A
4,001 to 10,000 gallons	6.60		N/A		N/A
Over 10,000 gallons	7.90		N/A		N/A
First 3,000 gallons	N/A		6.80		6.75
3,001 to 8,000 gallons	N/A		10.00		10.25
Over 8,000 gallons	N/A		12.00		12.00
<u>5/8" x 3/4" Meter (Commercial)</u>					
First 4,000 gallons	4.40		N/A		N/A
4,001 to 10,000 gallons	6.60		N/A		N/A
Over 10,000 gallons	7.90		N/A		N/A
First 3,000 gallons	N/A		6.80		N/A
3,001 to 8,000 gallons	N/A		10.00		N/A
Over 8,000 gallons	N/A		12.00		N/A
First 8,000 gallons	N/A		N/A		10.25
Over 8,000 gallons	N/A		N/A		12.00
<u>3/4" Meter (Residential)</u>					
First 4,000 gallons	4.40		N/A		N/A
4,001 to 10,000 gallons	6.60		N/A		N/A
Over 10,000 gallons	7.90		N/A		N/A
First 3,000 gallons	N/A		6.80		6.75
3,001 to 8,000 gallons	N/A		10.00		10.25
Over 8,000 gallons	N/A		12.00		12.00
<u>3/4" Meter (Commercial)</u>					
First 4,000 gallons	4.40		N/A		N/A
4,001 to 10,000 gallons	6.60		N/A		N/A
Over 10,000 gallons	7.90		N/A		N/A
First 3,000 gallons	N/A		6.80		N/A
3,001 to 8,000 gallons	N/A		10.00		N/A
Over 8,000 gallons	N/A		12.00		N/A
First 8,000 gallons	N/A		N/A		10.25
Over 8,000 gallons	N/A		N/A		12.00
<u>1" Meter (All Classes)</u>					
First 10,000 gallons	6.60		10.00		10.25
Over 10,000 gallons	7.90		12.00		12.00

RATE DESIGN CONT.

Final Schedule TBH GM-26

Page 2 of 2

<u>1 1/2" Meter (All Classes)</u>					
First 20,000 gallons	6.60		10.00		10.25
Over 20,000 gallons	7.90		12.00		12.00
<u>2" Meter (All Classes)</u>					
First 40,000 gallons	6.60		10.00		10.25
Over 40,000 gallons	7.90		12.00		12.00
<u>3" Meter (All Classes)</u>					
First 144,000 gallons	6.60		10.00		10.25
Over 144,000 gallons	7.90		12.00		12.00
<u>4" Meter (All Classes)</u>					
First 225,000 gallons	6.60		10.00		10.25
Over 225,000 gallons	7.90		12.00		12.00
<u>6" Meter (All Classes)</u>					
First 450,000 gallons	6.60		10.00		10.25
Over 450,000 gallons	7.90		12.00		12.00
<u>Construction/Standpipe</u>					
All Gallons	7.90		12.00		12.00
<u>Hydrant Meter by Meter Size</u> <u>(Not Individually Assigned)</u>					
All Usage, Per 1,000 Gallons	7.90		12.00		12.00

Other Service Charges

Establishment	\$ 25.00		\$ 25.00		\$ 25.00
Establishment (After Hours)	35.00		N/A		N/A
Reestablishment (within 12 months)	*		*		*
Reconnection (Delinquent)	35.00		35.00		35.00
Reconnection (Delinquent) - After Hours	45.00		N/A		N/A
Meter Test (If Correct)	35.00		35.00		35.00
Meter Re-Read (If Correct)	15.00		15.00		15.00
Deposit	**		**		**
Deposit Interest	**		**		**
NSF Check	20.00		20.00		20.00
Deferred Payment (per month)	1.5% per month		1.5% per month		1.5% per month
Late Payment Fee (per month)	1.5% per month		1.5% per month		1.5% per month
Moving Customer Meter (Customer Request)	At Cost		At Cost		At Cost
After Hour Service Charge (at customers request)	N/A		25.00		25.00

* Number of months off the system times the monthly minimum per A.A.C. R14-2-403(D).

** Per A.A.C. R14-2-403(B).

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, use, and franchise tax. Per commission rule 14-2-409D(5).

Service and Meter Installation Charges

Service Size	Total Present Charge	Proposed Service Line Charge	Proposed Meter Installation Charge	Total Proposed Charge	Recommended Service Line Charge	Recommended Meter Installation Charge	Total Recommended Charge
5/8 x 3/4 Inch	\$ 500.00	\$ 450.00	\$ 150.00	\$ 600.00	\$ 450.00	\$ 150.00	\$ 600.00
3/4 Inch	575.00	450.00	250.00	700.00	450.00	250.00	700.00
1 Inch	650.00	575.00	300.00	875.00	575.00	300.00	875.00
1 1/2 Inch	716.00	675.00	500.00	1,175.00	675.00	500.00	1,175.00
2 Inch	1,572.00	1,000.00	1,500.00	2,500.00	1,000.00	1,500.00	2,500.00
3 Inch	2,400.00	1,300.00	2,000.00	3,300.00	1,300.00	2,000.00	3,300.00
4 Inch	3,516.00	1,800.00	3,500.00	5,300.00	1,800.00	3,500.00	5,300.00
6 Inch	6,916.00	2,800.00	6,000.00	8,800.00	2,800.00	6,000.00	8,800.00
Over 6 Inch	N/A	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost	Actual Cost

Typical Bill Analysis						
General Service 5/8 x 3/4-Inch Meter						
Company Proposed	Gallons		Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	6,411		\$ 58.51	\$ 93.01	\$ 34.50	58.96%
Median Usage	3,684		41.21	65.74	\$ 24.53	59.53%
Staff Recommended						
Average Usage	6,411		\$ 58.51	\$ 92.71	\$ 34.20	58.45%
Median Usage	3,684		41.21	64.76	\$ 23.55	57.15%
Present & Proposed Rates (Without Taxes)						
General Service 5/8 x 3/4-Inch Meter						
	Present		Company Proposed	%	Staff Recommended	%
	5/8" x 3/4"		5/8" x 3/4"		5/8" x 3/4"	
	Minimum Charge	\$ 25.00	Minimum Charge	\$ 38.50	Minimum Charge	\$ 37.50
	1st Tier Rate	4.40	1st Tier Rate	6.80	1st Tier Rate	6.75
	1st Tier Breakover	4,000	1st Tier Breakover	3,000	1st Tier Breakover	3,000
	2nd Tier Rate	6.60	2nd Tier Rate	10.00	2nd Tier Rate	10.25
	2nd Tier Breakover	10,000	2nd Tier Breakover	8,000	2nd Tier Breakover	8,000
	3rd Tier Rate	7.90	3rd Tier Rate	12.00	3rd Tier Rate	12.00
Gallons Consumption	Rates		Rates	Increase	Rates	Increase
-	\$ 25.00		\$ 38.50	54.00%	\$ 37.50	50.00%
1,000	29.40		45.30	54.08%	44.25	50.51%
2,000	33.80		52.10	54.14%	51.00	50.89%
3,000	38.20		58.90	54.19%	57.75	51.18%
4,000	42.60		68.90	61.74%	68.00	59.62%
5,000	49.20		78.90	60.37%	78.25	59.04%
6,000	55.80		88.90	59.32%	88.50	58.60%
7,000	62.40		98.90	58.49%	98.75	58.25%
8,000	69.00		108.90	57.83%	109.00	57.97%
9,000	75.60		120.90	59.92%	121.00	60.05%
10,000	82.20		132.90	61.68%	133.00	61.80%
11,000	90.10		144.90	60.82%	145.00	60.93%
12,000	98.00		156.90	60.10%	157.00	60.20%
13,000	105.90		168.90	59.49%	169.00	59.58%
14,000	113.80		180.90	58.96%	181.00	59.05%
15,000	121.70		192.90	58.50%	193.00	58.59%
16,000	129.60		204.90	58.10%	205.00	58.18%
17,000	137.50		216.90	57.75%	217.00	57.82%
18,000	145.40		228.90	57.43%	229.00	57.50%
19,000	153.30		240.90	57.14%	241.00	57.21%
20,000	161.20		252.90	56.89%	253.00	56.95%
25,000	200.70		312.90	55.90%	313.00	55.95%
30,000	240.20		372.90	55.25%	373.00	55.29%
35,000	279.70		432.90	54.77%	433.00	54.81%
40,000	319.20		492.90	54.42%	493.00	54.45%
45,000	358.70		552.90	54.14%	553.00	54.17%
50,000	398.20		612.90	53.92%	613.00	53.94%
75,000	595.70		912.90	53.25%	913.00	53.27%
100,000	793.20		1,212.90	52.91%	1,213.00	52.92%

BEFORE THE ARIZONA CORPORATION COMMISSION

DOUG LITTLE
Chairman
BOB STUMP
Commissioner
BOB BURNS
Commissioner
TOM FORESE
Commissioner
ANDY TOBIN
Commissioner

IN THE MATTER OF THE APPLICATION OF)
GRANITE MOUNTAIN WATER COMPANY,)
INC. FOR APPROVAL OF A RATE INCREASE)
_____)

DOCKET NO. W-02467A-14-0230

RESPONSIVE
TESTIMONY
OF
DOROTHY HAINS, P. E.
UTILITIES ENGINEER
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

FEBRUARY 4, 2016

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ATTACHMENT

Schematic Drawing	1
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EXECUTIVE SUMMARY
GRANITE MOUNTAIN WATER COMPANY, INC.
DOCKET NO. W-02467A-14-0230

Dorothy Hains' testimony discusses Utilities Division Staff's ("Staff") review of Granite Mountain Water Company, Inc.'s ("Granite Mountain" or "Company") Post-test year Tank No. 3 installation project for the rate case filed with the Arizona Corporation Commission ("Commission"), and presents the results of Staff's analysis.

Based on its review of Granite Mountain's Tank No. 3 Project, Staff's conclusions are as follows:

1. The Tank is used and useful since December 2015.
2. Costs of \$102,222.68 for Tank construction were reasonable.

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Dorothy Hains. My business address is 1200 West Washington Street, Phoenix,
4 Arizona 85007.

5
6 **Q. Are you the same Dorothy Hains who has previously filed testimony in this Granite**
7 **Mountain Water Corporation, Inc. ("Granite Mountain" or "Company") rate**
8 **proceeding?**

9 A. Yes.

10

11 **II. TANK NO. 3**

12 **Q. What is the purpose of this Responsive Testimony?**

13 A. The purpose is to discuss the Company's post-test year construction project - Tank No. 3
14 ("Tank") installation, and present the results of this review along with Staff's conclusion.

15

16 **Q. Did Staff perform an analysis of the application that is the subject of this proceeding?**

17 A. Yes, Staff inspected the Tank on December 9, 2015 and determined that the Tank is in
18 service.

19

20 **Q. Has Arizona Department of Environmental Quality ("ADEQ") certified the Tank**
21 **installation?**

22 A. Yes, ADEQ issued an Approval of Construction ("AOC") for the Tank on December 3,
23 2015.

24

25 **Q. Did the Company file a copy of AOC for the Tank?**

26 A. Yes, the Company docketed a copy of AOC for the Tank on December 8, 2015.

1 **Q. The Company proposes to include in rates post-test year plant improvements of**
2 **\$102,222.68 for the Tank. Does Staff agree with the Company that \$102,222.68 plant**
3 **improvement expenses should be included in rate base?**

4 **A. Yes. Staff has determined that the Company's cost of \$102,222.68, which include expenses**
5 **of Engineering & Permitting, Tank Construction and Materials & Misc., was reasonable.**

6
7 **Q. What is the Staff's conclusion regarding the Tank?**

8 **A. Staff concludes that the Tank is used and useful.**

9
10 **III. CORRECTIONS**

11 **Q. Do you have correction to the Engineering Report Docketed on July 15, 2015? Please**
12 **explain.**

13 **A. Yes. Staff wishes to make two corrections in the July 15, 2015 Engineering Report 3.**

14
15 The first correction is to delete Recommendation No. 5 in the Executive Summary because
16 the Tank is in service and the Company had docketed the AOC.

17
18 The second correction is to replace the Schematic Drawing in the Engineering Report with
19 revised Schematic Drawing (attached).

20
21 **IV. CONCLUSIONS**

22 **Q. Based upon your testimony, what are Staff's conclusions regarding the Tank project?**

23 **A. Staff's conclusions are as follows:**

24
25 1. It is Staff's conclusion that the Tank is used and useful since December 2015.

26 2. Costs of \$102,222.68 for the Tank construction were reasonable.

1 **Q. Does this conclude your Direct Testimony?**

2 **A. Yes, it does.**

Attachment 1

